

SECTION 1

CDBG GENERAL PROGRAM INFORMATION

This section provides an overview of the General Purpose Grant program. Use this section to determine jurisdiction and project eligibility. The information provided includes:

- 1-A CDBG General Program Information**
- 1-B Chart and Lists of Eligible and Ineligible Jurisdictions**
- 1-C Eligible and Ineligible Activities**

SECTION 1-A. CDBG GENERAL PROGRAM INFORMATION

What is the CDBG Program?

The State of Washington Community Development Block Grant (CDBG) Program is a flexible, competitive source of federal funding for a broad range of community development activities. A fact sheet listing all CDBG funds is provided on page 55.

All projects must principally benefit low- and moderate-income (LMI) persons. (See 2006 Income Limits, Appendix B.)

General Purpose Grant funding is available for five categories of projects: housing, public facilities, community facilities, economic development, and comprehensive.

All local projects must meet at least one of three national objectives of the program (Title 1, Housing and Community Development Act of 1974, as amended) which are to:

- Principally benefit persons of low- and moderate-income
- Prevent or eliminate slums or blight
- Meet urgent community development needs which pose a serious and immediate threat to public health or safety

Applicants may request up to \$1,000,000 in grant funds during a single, annual General Purpose Grant competition to address eligible community development needs.

How much money is available for fiscal year 2007?

The State of Washington CDBG Program expects to allocate approximately \$7 million of its FY 2007 federal funding for General Purpose Grants to be distributed on a competitive basis to highly rated projects.

When will the money be available if my project is selected?

The CDBG Program will announce the 2007 General Purpose Grant awards by mid-March 2007. Funds will be made available as soon as contracting and the environmental release of funds process is complete. In most cases, contracts are fully executed within 90 days from award announcements.

Who can apply for CDBG?

Eligible applicants for CDBG funds are **cities and towns with less than 50,000 people or counties with populations less than 200,000** provided that the cities, towns, and counties do not participate in HUD Urban county Consortia. (See Section 1-B for a list of eligible and ineligible jurisdictions.)

Indian tribes and special purpose organizations, such as public housing authorities, port districts, water and sewer districts, community action agencies and economic development councils are not eligible to apply directly to the CDBG Program for funding. These projects may be eligible under CDBG if:

- A project will serve both an eligible local government's citizens and tribal members. If the boundaries of a project's service area involve both the local government and a tribal jurisdiction, the local government may apply for state CDBG funding on behalf of and in coordination with the Indian tribe.
- An eligible local government chooses to involve a special purpose organization in the operation of a project funded under the CDBG program.

What type of projects can be funded?

The following list identifies the most common types of eligible activities.

- Public Facilities
- Community Facilities
- Housing – *(Most new housing construction projects are not CDBG eligible. Contact CDBG program staff when considering new housing projects.)*
- Economic Development
- Comprehensive
- Other Eligible Activities
- Public Services
- Local Match
- Administration
- Property Acquisition
- Relocation
- Barrier Removal

Page 19 contains an overview of eligible activities as well as a complete list of eligible and ineligible activities excerpted from Title I of the Housing and Community Development Act of 1974, as amended. **All projects must provide the intended benefits for a minimum of 10 years.** Verification of project eligibility with CDBG program staff is strongly advised before beginning an application.

What types of projects cannot be funded with CDBG funds?

New Housing Construction - CDBG funds generally may not be used to construct new housing units. In certain circumstances, with HUD's approval, CDBG funds may be used for the substantial reconstruction of housing owned and occupied by low- and moderate-income persons. Activities in support of new housing construction may also be eligible under certain conditions. Communities considering applications for these activities should consult with CDBG Program staff before proceeding.

Regular Government Operations - CDBG funds may not be used to fund the ongoing responsibilities of general local government.

Maintenance and Operation - Maintenance and operation expenses of public or community facilities are not eligible, with the exception of an eligible public service activity.

Equipment - The purchase of motor vehicles, equipment, or furnishings not permanently attached to a building is ineligible except when necessary as part of an eligible public service or for fire protection. Park equipment such as bleachers or picnic tables purchased with CDBG funds must be permanently affixed.

Government Buildings - Government buildings such as courthouses, city halls, county administrative buildings, and other buildings used predominantly for the general conduct of government are not eligible for CDBG assistance except for the removal of architectural barriers that deny access to the disabled.

Income Payments - CDBG funds may not be used for income payments such as payment for income maintenance, housing allowances, down payments, or mortgage subsidies.

Political Activities - CDBG funds may not be used to finance the use of facilities or equipment for political purposes or to engage in other partisan political activities.

What special requirements and funding limitations apply to the application process?

Before an application can be reviewed and rated, it will be screened to determine whether or not it conforms to the following requirements and funding limitations. Actions necessary to comply with these special requirements are detailed in the application instructions.

- Resolution with Certifications of Compliance

The applicant's local legislative body must pass a resolution authorizing the chief administrative official to submit the CDBG application to the Department of Community, Trade and Economic Development (CTED) and certifying compliance with state and federal laws and specific program requirements. A sample resolution can be found on page 41. **The resolution must be signed by the authorized chief administrative official, and a signed copy must be included with the application.**

- Citizen Participation Requirements

Title I of the Housing and Community Development Act of 1974, as amended, requires each applicant to identify its community development and housing needs, including the needs of low- and moderate-income persons, through a documented citizen participation process. To meet the requirements of this act, the jurisdiction must publish a public hearing notice and conduct a public hearing as described on page 47.

- Principal Benefit to Low- and Moderate-Income (LMI) Persons

A CDBG General Purpose Grant proposal must principally benefit low- and moderate-income persons. "Principal benefit" is defined as at least 51 percent benefit to LMI persons. LMI is 80 percent of county median income. An application which fails to adequately demonstrate the manner in which the proposed activities will provide such benefit will not advance to the rating and selection stage. See the LMI Requirements for options and guidance for calculating this percent of benefit on page 63.

Maximum Average CDBG Investment Per Household Benefited Requirement

Each application for CDBG General Purpose Grant funding must be structured so the CDBG investment per household benefited does not exceed the following limits:

<u>Project Category</u>	<u>Maximum Average CDBG Investment Per Household</u>
Community Facilities	\$10,000
Public Facilities	\$10,000
Economic Development	\$10,000/job
Housing	\$25,000*
Comprehensive	Above amounts applied as applicable

*Up to \$35,000 per unit for projects that include lead-based paint mitigation activities.

Local Financial Match

No local financial match is required; however, local contribution, both financial and in-kind, is highly favored during rating and selection.

Maximum Number of Applications

Eligible jurisdictions may submit only one application for the 2007 General Purpose Grant cycle. It is possible for an eligible jurisdiction to apply for a CDBG General Purpose Grant, and other CDBG Program funds within the same program year.

Flood Plain Insurance

The applicant must provide evidence of enrollment in the National Flood Plain Insurance Program if the project will affect a flood plain.

What happens to my application when it arrives at CTED?

The selection process for CDBG General Purpose Grant proposals consists of three stages: threshold review, rating and selection and announcing the recipients.

Threshold Review (Stage 1)

Threshold review is conducted by CDBG Program staff to determine if each application meets eligibility and minimum application requirements. This stage typically takes about two weeks. When conducting the threshold review, Program staff may contact the applicant to resolve threshold issues. Although no new information will be requested or accepted, we advise applicants to designate someone who is knowledgeable about the project to be available during the review period. No points are awarded during this stage; however, applications failing to meet minimum threshold requirements will not advance to the rating and selection stage. All threshold requirements are listed in the Application Checklist, page 33.

Rating and Selection (Stage 2)

The rating and selection process is an evaluation of each application, using criteria described in Section 4-A (Narrative Instructions). Applications are evaluated by project category and assigned points in five separate groups which correspond to the five primary project categories: housing, economic development, community facilities, public facilities, and comprehensive. If the state receives an application containing unrelated activities in one or more project categories, the activities will be rated separately in appropriate project categories and the total score for the application will be the sum of the proportionally weighted points awarded to each project category.

Typically, applications for unrelated activities do not score well. CTED reserves the right to contact informed third parties including local, state, and federal agencies and to make site visits to assist in the evaluation process. An applicant must receive at least 65 points in order to receive funding consideration. Applications receiving scores of 65 points or greater will be funded in rank order until available funds are obligated.

Applications will be evaluated and assigned points based on the following:

Need Statement	25 Points
Capacity Statement	25 Points
Readiness Statement	25 Points
Results Statement	<u>25 points</u> 100 points

Recipients Announced (Stage 3)

When the rating process is complete, applicant jurisdictions will be listed in rank order according to assigned scores. Funding recommendations will be made to CTED management for ranked projects with requests totaling the amount of funds available for 2007 General Purpose Grants. After receiving management approval, legislators will be notified and all applicants will receive verbal and written notice of the rating process results. It is expected that 2007 CDBG General Purpose Grant recipients will be announced in mid-March 2007. Funds will be available as soon as contracting and the environmental review requirements are complete.

How does the actual contracting process work once grants are announced?

Following notification of project selection, a grant contract is negotiated and prepared for each funded jurisdiction. During the contract negotiation period, any questions regarding proposed activities, additional resources, administration costs, and other aspects of the project identified during the rating process will be discussed and resolved. Community surveys will be reviewed during this period to review methodology and verify the number and percentage of low- and moderate-income beneficiaries.

Grants consisting of more or less than the amount originally requested may be awarded at CTED's discretion based on discussions between CDBG Program staff and the jurisdiction. **The preliminary notice of project selection does not imply approval of all activities or all costs proposed in the selected application.** The grant contract, once negotiated, is the legal document which governs the administration of the grant and includes:

- Amount of CDBG funds provided.
- Detailed budget for implementation of project activities and the scope of work to be completed.
- Schedule for implementation of project activities.
- General and special terms and conditions associated with the grant.
- Application, as approved.

Delays in completing the execution of a final contract of ninety days or more from the date of the award letter, due to the project's readiness to proceed, may lead to the rescission of this award and an invitation to apply during the next CDBG General Purpose Grant application cycle.

No CDBG funds can be released until the grant contract has been fully executed, the SEPA and NEPA environmental reviews have been completed, and CDBG has issued a Release of Funds letter.

SECTION 1-B. MAP AND LISTS OF ELIGIBLE JURISDICTIONS

This map shows the relationship between eligible and ineligible communities, and is to be used as reference when reviewing the requirements and lists within the Application Handbook. It may help as a reference when reviewing the complete list of eligible and ineligible jurisdictions that appears on the next two pages. Please also consult Appendix A for a complete list of jurisdictions with 51 percent or greater LMI population, based on the 2000 census data.



2006 CDBG Entitlement/Non-Entitlement Jurisdictions

<p> Non-Entitlement Counties</p> <p><i>All counties except the 6 Entitlement Counties</i></p>	<p> Entitlement Counties</p> <ul style="list-style-type: none"> • Clark • King • Kitsap • Pierce • Snohomish • Spokane 	<p>Entitlement Cities in Non-Entitlement Counties</p> <ul style="list-style-type: none"> • Anacortes • Bellingham • Longview • Olympia • Mount Vernon • Tri-Cities • Wenatchee • Yakima
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Lists Of Eligible And Ineligible Jurisdictions

1. Eligible Jurisdictions

a. Non-Entitlement Cities and Towns:

Aberdeen	George	Northport	Toppenish
Albion	Goldendale	Oak Harbor	Tumwater
Almira	Grand Coulee	Oakesdale	Twisp
Asotin	Grandview	Oakville	Union Gap
Benton City	Granger	Ocean Shores	Uniontown
Bingen	Hamilton	Odessa	Vader
Blaine	Harrah	Okanogan	Waitsburg
Brewster	Harrington	Omak	Walla Walla
Bridgeport	Hartline	Oroville	Wapato
Bucoda	Hatton	Othello	Warden
Burlington	Hoquiam	Palouse	Washtucna
Cashmere	Ilwaco	Pateros	Waterville
Castle Rock	Ione	Pe Ell	West Richland
Cathlamet	Kahlotus	Pomeroy	Westport
Centralia	Kalama	Port Angeles	White Salmon
Chehalis	Kelso	Port Townsend	Wilbur
Chelan	Kettle Falls	Prescott	Wilson Creek
Chewelah	Kittitas	Prosser	Winlock
Clarkston	Krupp	Pullman	Winthrop
Cle Elum	Lacey	Quincy	Yelm
Colfax	La Conner	Rainer	Zillah
College Place	La Crosse	Raymond	
Colton	Lamont	Reardan	
Colville	Langley	Republic	
Conconully	Leavenworth	Ritzville	
Concrete	Lind	Riverside	
Connell	Long Beach	Rock Island	
Cosmopolis	Lyman	Rosalia	
Coulee City	Lynden	Roslyn	
Coulee Dam	Mabton	Royal City	
Coupeville	Malden	Sedro Woolley	
Creston	Mansfield	Selah	
Cusick	Marcus	Sequim	
Davenport	Mattawa	Shelton	
Dayton	McCleary	Soap Lake	
East Wenatchee	Mesa	South Bend	
Electric City	Metaline	South Cle Elum	
Ellensburg	Metaline Falls	Sprague	
Elma	Montesano	Springdale	
Elmer City	Morton	St. John	
Endicott	Moses Lake	Starbuck	
Entiat	Mossyrock	Stevenson	
Ephrata	Moxee	Sumas	
Everson	Naches	Sunnyside	
Farmington	Napavine	Tekoa	
Ferndale	Nespelem	Tenino	
Forks	Newport	Tieton	
Friday Harbor	Nooksack	Toledo	
Garfield	North Bonneville	Tonasket	

b. Non- Entitlement Counties:

Adams	Ferry	Klickitat	Skagit
Asotin	Franklin	Lewis	Skamania
Benton	Garfield	Lincoln	Stevens
Chelan	Grant	Mason	Thurston
Clallam	Grays Harbor	Okanogan	Wahkiakum
Columbia	Island	Pacific	Walla Walla
Cowlitz	Jefferson	Pend Oreille	Whatcom
Douglas	Kittitas	San Juan	Whitman
			Yakima

2. Ineligible Jurisdictions

a. Entitlement Cities and Towns:

Airway Heights	Duvall	Maple Valley	Sammamish
Algona	Eatonville	Marysville	Sea Tac
Anacortes	Edgewood	Medical Lake	Seattle
Arlington	Edmonds	Medina	Shoreline
Auburn	Enumclaw	Mercer Island	Skykomish
Bainbridge Island	Everett	Mill Creek	Snohomish
Battle Ground	Fairfield	Millwood	Snoqualmie
Beaux Arts	Federal Way	Milton	South Prairie
Village	Fife	Monroe	Spangle
Bellevue	Fircrest	Mount Vernon	Spokane
Bellingham	Gig Harbor	Mountlake	Spokane Valley
Black Diamond	Gold Bar	Terrace	Stanwood
Bonney Lake	Granite Falls	Mukilteo	Steilacoom
Bothell	Hunts Point	Newcastle	Sultan
Bremerton	Index	Normandy Park	Sumner
Brier	Issaquah	North Bend	Tacoma
Buckley	Kennewick	Olympia	Tukwila
Burien	Kent	Orting	University Place
Camas	Kenmore	Pacific	Vancouver
Carbonado	Kirkland	Pasco	Washougal
Carnation	La Center	Port Orchard	Waverly
Cheney	Lake Forest- Park	Poulsbo	Wenatchee
Clyde Hill	Lake Stevens	Puyallup	Wilkeson
Covington	Lakewood	Redmond	Woodinville
Darrington	Latah	Renton	Woodland
Deer Park	Liberty Lake	Richland	Woodway
Des Moines	Longview	Ridgefield	Yacolt
Du Pont	Lynnwood	Rockford	Yakima
		Roy	Yarrow Point
		Ruston	

b. Entitlement Counties:

Clark	Kitsap	Snohomish
King	Pierce	Spokane

SECTION I-C. ELIGIBLE AND INELIGIBLE ACTIVITIES

1. Overview

A summary of the General Purpose Grant eligible activities is provided below:

- Public Facilities - General Purpose Grant may be used to design, construct, or reconstruct water and sewer systems, flood and drainage facilities, solid waste disposal facilities, streets, and sidewalks. Public facilities projects must serve existing low- and moderate-income neighborhoods and communities.

CDBG can fund the special assessments for low- and moderate-income homeowners, if the improvements being funded meet CDBG requirements, such as Labor Standards and Environmental Review. For purposes of the CDBG program, "special assessment" is defined as the recovery of the capital costs of a completed public improvement through:

- 1) a fee or charge levied or filed as a lien against a parcel of real estate as a direct result of a benefit derived from the installation of a public improvement; or
- 2) a one-time charge made as a condition of access to the improved public system.

Low- and moderate-income property owners cannot be assessed or charged a fee to recover the capital costs of any CDBG-funded public facility. Prospective applicants are advised to contact CDBG Program staff when considering funding for special assessments.

This public facility category also includes acquisition, design, construction, or rehabilitation of fire protection facilities, and purchase of fire protection equipment.

Eligible parks and recreation projects include acquisition, design, site preparation, drainage, construction, and rehabilitation of parks and recreation facilities. Acquisition of land for open space is also eligible.

- Community Facilities - General Purpose Grants may be used for acquisition, design, construction, or reconstruction of community facilities to serve low- and moderate-income youth, elderly, or other low- and moderate-income groups with special needs. Community facility projects must provide the intended benefit for at least 10 years.

CDBG funds may be used to rehabilitate publicly owned, historic properties that are sites or buildings listed, or eligible to be listed, in the National Register of Historic Places or in state or local inventories.

- Economic Development - General Purpose Grant may be used for acquisition, construction, or reconstruction of commercial or industrial buildings; cooperative or employee stock ownership programs; special training and accessibility modifications designed to increase employment opportunities for disabled persons; downtown revitalization; and assistance to private for-profit entities such as grants, loans, loan guarantees, interest supplements, or technical assistance for implementing projects. Economic development activities may be implemented by private for-

profit entities when the project will create or retain permanent jobs primarily for low- and moderate-income people or when the business provides services primarily to residents of an area with a majority of low- and moderate-income persons, provided the need for public funds is clearly balanced by the extent of public benefit received.

The economic development category also includes grants for revolving loan funds. Applications for revolving loan fund grants must demonstrate a need for loan capital assistance, and/or loan packaging assistance, beyond what is currently provided by existing programs, such as the Rural Washington Loan Fund and the Community Development Finance Program. CTED encourages applications that clearly demonstrate a sufficient public benefit. Public benefit is defined as the creation or retention of at least one full-time equivalent (FTE) permanent job per \$10,000 of CDBG General Purpose Grant funds used. Unless a specific business (or businesses) is identified in the application as a confirmed, eligible participant, the overall need for this type of assistance must have been documented as meeting the public benefit criteria.

- Housing - General Purpose Grants may be used to fund projects to provide permanent low-cost housing opportunities for low- and moderate-income families such as shared housing, housing cooperatives, mobile home parks, manufactured housing, and self-help housing programs.

As of 2005, housing rehabilitation projects must seek CDBG funding through the CDBG Housing Rehabilitation Grant program, with its separate application process.

The cost of rehabilitating the water or sewer side service connections for eligible housing or the construction cost of connecting eligible housing to available water and sewer systems is eligible for General Purpose Grant funding. While design and construction of new housing and on-site improvements for new housing are generally ineligible activities, some activities in support of new housing construction, such as land acquisition and off-site improvements, are eligible. With HUD approval, CDBG funds may be used to fund new housing construction when such activities are undertaken by eligible (1) neighborhood-based nonprofit organizations, (2) small business investment companies or (3) local development corporations. Prospective applicants are advised to contact CDBG Program staff when considering new housing construction.

- Comprehensive - A comprehensive project includes activities listed in at least two of the other categories. For example, neighborhood revitalization by improving streets, sewer, water, and housing, is considered comprehensive. These activities must be related and coordinated to achieve more results than would be possible when addressed individually.
- Other Eligible Activities - The following activities are eligible, and depending on the context, may qualify as elements of any of the above project categories:
 - Public Services - CDBG can fund public services such as employment, crime prevention, childcare, health, drug abuse, education, energy conservation, and welfare or recreation needs programs. The amount requested for public services cannot exceed 15 percent of the total grant requested and the public service activity must directly support the larger project. CDBG generally cannot fund public service projects that have been funded with local or state funds within the previous calendar year.

- Local Match - CDBG funds may be used for the non-federal share required by other federal or state grant programs used to support CDBG-eligible activities.
- Relocation - CDBG funds may be used for relocation payments and assistance to permanently or temporarily displaced individuals, families, or businesses. All CDBG proposals that may cause displacement must include relocation assistance in the project plan and budget.

2. Complete List Of Eligible And Ineligible Activities

Title 1 of the Housing and Community Development Act of 1974, as amended is the congressionally adopted statute from which most of the CDBG Program regulations are developed. Section 105(a) identifying eligible activities is reproduced, in its entirety, below:

ELIGIBLE ACTIVITIES

Sec. 105 (a) Activities assisted under this title may include only:

- (1) the acquisition of real property (including air rights, water rights, and other interests therein) which is (A) blighted, deteriorated, deteriorating, undeveloped, or inappropriately developed from the standpoint of sound community development and growth; (B) appropriate for rehabilitation or conservation activities; (C) appropriate for the preservation or restoration of historical sites, the beautification of urban land, the conservation of open spaces, natural resources, and scenic areas, the provision of recreational opportunities, or the guidance of urban development; (D) to be used for the provision of public works, facilities, and improvements eligible for assistance under this title; or (E) to be used for other public purposes.
- (2) the acquisition, construction, reconstruction, or installation (including design features and improvements with respect to such construction, reconstruction, or installation that promote energy efficiency) of public works, facilities (except for buildings for the general conduct of government), and site or other improvements.
- (3) code enforcement in deteriorated or deteriorating areas in which such enforcement, together with public or private improvements or services to be provided, may be expected to arrest the decline of the area.
- (4) clearance, demolition, removal, and rehabilitation (including rehabilitation which promotes energy efficiency) of buildings and improvements (including interim assistance, and financing public or private acquisition for rehabilitation, and rehabilitation of privately owned properties and including the renovation of closed school buildings).
- (5) special projects directed to the removal of material and architectural barriers which restrict the mobility and accessibility of elderly and handicapped persons.
- (6) payments to housing owners for losses of rental income incurred in holding for temporary periods housing units to be utilized for the relocation of individuals and families displaced by activities under this title.

(7) disposition (through sale, lease, donation or otherwise) of any real property acquired pursuant to this title or its retention for public purposes.

(8) provisions of public services, including but not limited to those concerned with employment, crime prevention, child care, health, drug abuse, education, energy conservation, welfare or recreation needs, if such services have not been provided by the unit of general local government (through funds raised by the said unit, or received by such unit from the state in which it is located) during any part of the twelve-month period immediately preceding the date of submission of the statement with respect to which funds are to be made available under this title, and which are to be used for such services, unless the Secretary finds that the discontinuation of such services was the result of events not within the control of the unit of general local government, except that not more than 15 percent of the amount of any assistance to a unit of general local government under this title may be used for activities under this paragraph unless such unit of general local government used more than 15 percent of the assistance received under this title for fiscal year 1982 or fiscal year 1983 for such activities (excluding any assistance received pursuant to Public Law 98-8), in which case such unit of general local government may use not more than the percentage or amount of such assistance used for such activities for such fiscal year, whichever method of calculation yields the higher amount.

(9) payment of the non-federal share required in connection with a federal grant-in-aid program undertaken as part of activities assisted under this title.

(10) payment of the cost of completing a project funded under Title I of the Housing Act of 1949.

(11) relocation payments and assistance for displaced individuals, families, businesses, organizations, and farm operations, when determined by the grantee to be appropriate.

(12) activities necessary (A) to develop a comprehensive community development plan, and (B) to develop a policy-planning-management capacity so that the recipient of assistance under this title may more rationally and effectively (i) determine its needs, (ii) set long-term goals and short-term objectives, (iii) devise programs and activities to meet these goals and objectives, (iv) evaluate the progress of such programs in accomplishing these goals and objectives, and (v) carry out management, coordination, and monitoring of activities necessary for effective planning implementation.

(13) payment of reasonable administrative costs related to establishing and administering federally approved enterprise zones and payment of reasonable administrative costs and carrying charges related to the planning and execution of community development and housing activities, including the provision of information and resources to residents of areas in which community development and housing activities are to be concentrated with respect to the planning and execution of such activities, and including the carrying out of activities as described in section 701(e) of the Housing Act of 1954 on the date prior to the date of enactment of the Housing and Community Development Amendments of 1981.

(14) provision of assistance including loans (both interim and long term) and grants for activities which are carried out by public or private nonprofit entities, including (A) acquisition of real property. (B) acquisition, construction, reconstruction, rehabilitation, or installation of (i) public facilities (except for buildings for the general conduct of government), site improvements, and utilities, and (ii)

commercial or industrial buildings or structures and other commercial or industrial real property improvements; and (iii) planning.

(15) assistance to neighborhood-based nonprofit organizations, local development corporation, nonprofit organizations serving the development needs of the communities or non-entitlement areas, or entities organized under section 301(d) of the Small Business Investment Act of 1958 to carry out a neighborhood revitalization or community economic development or energy conservation project in furtherance of the objectives of Section 101(c), and assistance to neighborhood-based nonprofit organizations, for the purpose of assisting, as part of neighborhood revitalization or other community development, the development of shared housing opportunities (other than by construction of new facilities) in which elderly families (as defined in Section 3(b)(3) of the United States Housing Act of 1937) benefit as a result of living in a dwelling in which the facilities are shared with others in a manner that effectively and efficiently meets the housing needs of the residents and thereby reduces their cost of housing.

(16) activities necessary to the development of energy use strategies related to recipient's development goals, to assure that those goals are achieved with maximum energy efficiency, including items such as:

(A) an analysis of the manner in, and the extent to which energy conservation objectives will be integrated into local government operation, purchasing and service delivery, capital improvements budgeting, waste management, district heating and cooling, land use planning and zoning, and traffic control, parking, and public transportation functions.

(B) a statement of the action the recipient will take to foster energy conservation and the use of renewable energy resources in private sector, including the enactment and enforcement of local codes and ordinances to encourage or mandate energy conservation or use of renewable energy resources, financial and other assistance to be provided (principally for the benefit of low- and moderate-income persons) to make energy conserving improvements to residential structures, and any other proposed energy conservation activities.

(17) provisions of assistance to private, for-profit entities, when the assistance is necessary or appropriate to carry out an economic development project.

(18) the rehabilitation or development of housing assisted under Section 17 of the United States Housing Act of 1937.

(19) provision of assistance to facilitate substantial reconstruction of housing owned and occupied by low-income persons (A) where the need for reconstruction was not determinable until after rehabilitation under this section had already commenced, or (B) where the reconstruction is part of a neighborhood rehabilitation effort and the grantee (i) determines the housing is not suitable for rehabilitation, and (ii) demonstrates to the satisfaction of the Secretary that the cost of substantial reconstruction is significantly less than the cost of new construction and less than the fair market value of the property after substantial reconstruction.

(20) provision of technical assistance to public or nonprofit entities to increase the capacity of such entities to carry out eligible neighborhood revitalization or economic development activities, which

assistance shall not be considered a planning cost as defined paragraph (12) or administrative cost as defined in paragraph (13).

(21) housing services, such as housing counseling, energy auditing, preparation of work specification, loan processing, inspections, tenant selection, management of tenant-based rental assistance, and other services related to assisting owners, tenants, contractors, and other entities, participating or seeking to participate in housing activities authorized under this section, or under Title II of the Cranston-Gonzalez National Affordable Housing Act, except that activities under this paragraph shall be subject to any limitation on administrative expenses imposed by any law.

(22) provision of assistance by recipients under this title to institutions of higher education having a demonstrated capacity to carry out eligible activities under this subsection for carrying out such activities.

(23) provision of assistance to public and private organizations, agencies, and other entities (including nonprofit and for-profit entities) to enable such entities to facilitate economic development by:

(A) providing credit (including providing direct loans and loan guarantees, establishing peer lending programs) for the establishment, stabilization, and expansion of microenterprises.

(B) providing technical assistance, advice, and business support services (including assistance, advice, and support relating to developing business plans, securing funding, conducting marketing, and otherwise engaging in microenterprise activities) to owners of microenterprises and persons developing microenterprises.

(C) providing general support (such as peer support programs and counseling) to owners of microenterprises and persons developing microenterprises.

(24) activities necessary to make essential repairs and to pay operating expenses necessary to maintain the habitability of housing units acquired through tax foreclosure proceedings in order to prevent abandonment and deterioration of such housing in primarily low-income neighborhoods.

(25) provision of direct assistance to facilitate and expand home ownership among persons of low-income (except that such assistance shall not be considered a public service for purpose of paragraph (8) by using such assistance to:

(A) subsidize interest rates and mortgage principal amounts for low-income home buyers.

(B) finance the acquisition by low-income home buyers of housing that is occupied by the home buyers.

(C) acquire guarantees for mortgage financing obtained by low-income home buyers from private lenders (except that amounts received under this title may not be used under this subparagraph to directly guarantee such mortgage financing and grantees under this title may not directly provide such guarantees).

(D) provide up to 50 percent of any down payment required from low-income home buyer.

(E) pay reasonable closing costs (normally associated with the purchase of a home) incurred by low-income home buyer.

(b) Upon the request of the recipient of assistance under this title, the Secretary may agree to perform administrative services on a reimbursable basis on behalf of such recipient in connection with loans or grants for the rehabilitation of properties as authorized under subsection (a)(4).

(c)(1) In any case in which an assisted activity described in paragraph (14) or (17) of subsection (a) is identified as principally benefiting persons of low-income, such activity shall:

(A) be carried out in a neighborhood consisting predominately of person of low-income and provide services for such person.

(B) involve facilities designed for use predominately by person of low-income.

(C) involve employment of persons, a majority of whom are persons of low-income.

(2)(A) In any case in which an assisted activity described in subsection (a) is designed to serve an area generally and is clearly designed to meet identified needs of persons of low-income in such area, such activity shall be considered to principally benefit persons of low income if (i) not less than 51 percent of the residents of such area are persons of low-income; (ii) in any metropolitan city or urban county, the area served by such activity is within the highest quartile of all areas within the jurisdiction of such city or county in terms of the degree of concentration of persons of low-income; or (iii) the assistance for such activity is limited to paying assessments (including any charge made as a condition of obtaining access) levied against properties owned and occupied by persons of low-income to recover the capital cost for a public improvement.

(B) The requirements of subparagraph (A) do not prevent the use of assistance under this title for the development, establishment, and operation for not to exceed 2 years after its establishment of a uniform emergency telephone number system if the Secretary determines that.

(i) such system will contribute substantially to the safety of the residents of the area served by such system.

(ii) not less than 51 percent of the use of the system will be by persons of low-income.

(iii) other federal funds received by the grantee are not available for the development, establishment, and operation of such system due to the insufficiency of the amount of such funds, the restrictions on the use of such funds, or the prior commitment of such funds for other purposes by the grantee. The percentage of the cost of the development, establishment, and operation of such a system that may be paid from assistance under this title and that is considered to benefit low-income persons is the percentage of the population to be served that is made up of persons of low-income.

(3) Any assisted activity under this title that involves the acquisition or rehabilitation of property to provide housing shall be considered to benefit persons of low-income only to the extent such housing will, upon completion, be occupied by such persons.

INELIGIBLE ACTIVITIES

Although ineligible activities are not specifically identified in Title I, the Code of Federal regulations (CFR's), developed from the statute, provide guidance. According to 24 CFR 570.207, the general rule is that any activity that is not authorized under the provisions of 570.201 - 570.206 of this Subpart is ineligible to be carried out with CDBG funds. This section identifies three specific activities that are ineligible and provides guidance thought to be necessary in determining the eligibility of several other activities frequently associated with housing and community development.

(A) the following activities may not be carried out using CDBG funds:

(1) Buildings or portions thereof used predominantly for the general conduct of government cannot be assisted with CDBG funds. Such buildings include, but are not limited to: city halls and other headquarters of government where governing body of the recipient meets regularly, courthouses, and other state or local government office buildings. This does not exclude, however, the removal of architectural barriers under Subpart 570.201 (k) and historic preservation under 570.202(d) involving any such building. Also, where acquisition of real property includes an existing improvement which is to be utilized in the provision of a building or facility for the general conduct of government, the portion of the acquisition cost attributable to the land is eligible provided such acquisition meets a national objective, (570.208).

(2) General government expenses. Except as otherwise specifically authorized in this Subpart or under OMB Circular A-87, expenses required to carry out the regular responsibilities of the unit of general local government are not eligible for assistance under this Part.

(3) Political activities. CDBG funds shall not be used to finance the use of facilities or equipment for political purposes or to engage in other partisan political activities, such as candidate forums, voter transportation, or voter registration. However, a facility originally financed in whole or in part with CDBG funds may be used on an incidental basis to hold political meetings, candidate forums, or voter registration campaigns, provided that all parties and organizations have access to the facility on an equal basis, and are assessed equal rent or use charges, if any.

(B) The following activities may not be carried out with CDBG funds unless authorized under provisions of 570.203 or as otherwise specifically noted herein, or when carried out by a subrecipient under the provisions of 570.204.

(1) Purchase of equipment. The purchase of equipment with CDBG funds is generally ineligible.

(i) Construction equipment. The purchase of construction equipment is ineligible, but compensation for the use of such equipment through leasing, depreciation, or use allowances pursuant to OMB Circulars A-87 or A-122 as applicable for an otherwise eligible activity is an eligible use of CDBG funds. However, the purchase of construction equipment for use as part of a solid waste disposal facility is eligible under Subpart 570.201(c).

(ii) Fire protection equipment. Fire protection equipment is considered for this purpose to be an integral part of a public facility and thus, purchase of such equipment would be eligible under 570.201(c).

(iii) Furnishings and personal property. The purchase of equipment, fixtures, motor vehicles, furnishings, or other property which is not an integral structural fixture is generally ineligible. CDBG funds may be used, however, to purchase, or to pay depreciation or use allowances (in accordance with OMB Circulars A-87 or A-122, as applicable), for such items when necessary for use by a recipient or its subrecipients in the administration of activities assisted with CDBG funds, or when eligible as fire fighting equipment, or as a public service pursuant to Subpart 570.201(e).

(2) Operating and maintenance expenses. The general rule is that any expense associated with repairing, operating or maintaining public facilities and services is ineligible. Specific exceptions to this general rule are operating and maintenance expenses associated with public service activities, interim assistance and office space for program staff employed in carrying out the CDBG program. For example, where a public service is being assisted with CDBG funds, the cost of operating and maintaining that portion of the facility in which the service is located is eligible as part of the public service. Examples of ineligible operating and maintenance expenses are:

(i) Maintenance and repair of streets, parks, playgrounds, water and sewer facilities, neighborhood facilities, senior centers, centers for the handicapped, parking and similar public facilities. Examples of maintenance and repair activities for which CDBG funds may not be used include the filling of pot holes in streets, repairing cracks in sidewalks, the mowing of recreational areas, and the replacement of expended street light bulbs.

(ii) Payment of salaries for staff, utility costs and similar expenses necessary for the operation of public works and facilities.

(3) New housing construction. Assistance may not be used for the construction of new permanent residential structures or for any program to subsidize or finance such new construction, except:

(i) As provided under the last resort housing provisions set forth in 49 CFR Part 24.

(ii) As authorized under 570.201(m).

(iii) When carried out by a subrecipient pursuant to 570.204(a).

(4) Income payments. The general rule is that assistance shall not be used for income payments for housing or any other purpose. Examples of ineligible income payments include payments for income maintenance, housing allowances, down payments and mortgage subsidies.

